1 UNITED STATES PATENT AND TRADEMARK OFFICE
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4 BEFORE THE BOARD OF PATENT APPEALS
5 AND INTERFERENCES
6 _____
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8 *Ex parte* OWEN H. BROWN and DAVID NEAL JOSEPH
9 _____
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11 Appeal 2007-3577
12 Application 10/010,340
13 Technology Center 3600
14 _____
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16 Decided: December 10, 2007
17 _____
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19 Before LINDA E. HORNER, ANTON W. FETTING, and DAVID B. WALKER,
20 *Administrative Patent Judges.*

21 FETTING, *Administrative Patent Judge.*

22 DECISION ON APPEAL
23
24 STATEMENT OF CASE

25 Owen H. Brown and David Neal Joseph (Appellants) seek review under

26 35 U.S.C. § 134 of the Final Rejection of claims 9, 11-23, 39, and 42, the only

27 claims pending in the application on appeal.

28 We have jurisdiction over the appeal pursuant to 35 U.S.C. § 6(b) (2002).

29 We AFFIRM.

1

1   The Appellants invented a way for transacting funds, such that the charges for
2goods or services and not the separate tax portion are transferred to the merchant's
3account, and the tax amount is transferred to an escrow account held by the bank
4that has the transfer relationship with the business owner. This escrow amount is
5paid to the State where the business account transaction took place (Specification
62: Last full ¶).

7   An understanding of the invention can be derived from a reading of exemplary
8claim 9, which is reproduced in the Analysis section below.

9   This appeal arises from the Examiner's Final Rejection, mailed November 16,
102005. The Appellants filed an Appeal Brief in support of the appeal on November
1116, 2006. An Examiner's Answer to the Appeal Brief was mailed on March 21,
122007. A Reply Brief was filed on April 20, 2007.

13   PRIOR ART

14   The Examiner relies upon the following prior art:

| Cretzler | US 5,644,724 | Jul. 1, 1997 |
| Hanna | US 6,230,928 B1 | May 15, 2001 |

15   REJECTION

16   Claims 9, 11-23, 39, and 42 stand rejected under 35 U.S.C. § 103(a) as
17unpatentable over Cretzler and Hanna.

18   ISSUES

19 • The issue pertinent to this appeal is whether the Appellants have sustained
20   their burden of showing that the Examiner erred in rejecting claims 9, 11-23,
21   39, and 42 under 35 U.S.C. § 103(a) as unpatentable over Cretzler and
22   Hanna.

1 The pertinent issue turns on whether the combination of Cretzler and Hanna 2suggests crediting a merchant escrow account by electronic funds processor (EFP) 3and crediting another merchant account by EFP with only a net payment for 4authorized transactions, without depending on subsequent action by the merchant 5relating to the merchant escrow account.

6   FACTS PERTINENT TO THE ISSUES

7 The following enumerated Findings of Fact (FF) are believed to be supported 8by a preponderance of the evidence.

9 *Claim Construction*

10   1. The Appellants' disclosure contains no lexicographic definition of
11   "payment."

12   2. The ordinary and customary meaning of "payment" is the act of paying
13   or the state of being paid.[1]

14 *Cretzler*

15   3. Cretzler is directed toward an improved sales and use tax collection
16   system and using it to collect and remit taxes in real time at point-of-sale
17   locations (Cretzler 2:20-23).

18   4. Cretzler's tax collection system includes a group of point-of-sale
19   terminals which are installed at merchant point-of-sale facilities. The
20   terminals identify each merchant by the merchant's assigned tax
21   identification number, receive and store sales tax collection information
22   from the daily transactions of the identified merchant, and total the daily
23   sum of collected taxes by the merchant who is required to remit such
24   taxes to the appropriate taxing authority. For cash transactions, a bank

5[1] *American Heritage Dictionary of the English Language* (4th ed. 2000).

1   computer at a merchant bank receives the tax collection information

2   from the merchant, and wire transfers the collected sums either when

3   deposited by the merchant or after a predetermined period of time

4   following receipt of the tax information. For credit or debit transactions,

5   a service computer at the bank of the customer receives the tax

6   collection information from the merchant, and in response thereto, wire

7   transfers the credited or debited taxes after a predetermined period of

8   time following receipt of the tax information. A tax authority bank

9   receives and processes the funds for each bank computer and each

10   service computer (Cretzler 2:24-43).

11   5. From the above, Cretzler's merchant banks are banks of merchants and

12   Cretzler's service banks are banks of the customers.

13   6. In operation, a merchant utilizing the point-of-sale terminal enters sales

14   transaction data. Such data includes the purchase price of the goods and

15   services purchased by a customer, and whether the sales transaction is a

16   cash/check transaction or a credit card/debit card transaction. If the

17   transaction is a credit card/debit card transaction, the merchant also

18   enters the credit card or debit card number. The merchant then enters

19   the appropriate sales or use taxes on the customer's invoice and then

20   collects the total sum of the purchase price plus taxes from the customer.

21   The microcomputer stores the transaction information including the

22   amount of collected taxes, and also keeps a running total of all collected

23   taxes for each individual one of the merchant banks and the taxing

24   authorities (Cretzler 4:16-36).

25   7. For credit and debit transactions, the process is similar to cash

26   transactions except the microprocessor also communicates with the

1   service bank of the customer prior to the completion of the transaction

2   via the respective modems to obtain approval for the intended

3   transaction. Upon approval via an authorization code signal, the

4   microcomputer provides the merchant with an indication of the

5   authorization code (Cretzler 4:37-44). This is an authorization

6   transaction that occurs prior to the payment transaction.

7   8. The merchant then enters the authorization code and tax information on

8   a debit receipt providing a receipt or statement attesting to the purchase

9   price and the additional sums allocated to taxes. The microprocessor in

10   response to the transaction completion signal stores the transaction

11   information including the amount of authorization allocated taxes. The

12   microprocessor also keeps a running total of all allocated taxes for each

13   individual one of the service banks as well as the taxing authorities

14   (Cretzler 4:44-52). This creates electronic accounting records that the

15   computer will send to the merchant's bank for the merchant's bank to

16   transmit to the customer's service bank for payment, either at that time,

17   or at the end of the day, in accord with conventional debit and credit card

18   transaction practices.[2]

19   9. At the end of each business day, the merchant enters a transmit code into

20   the microcomputer that causes the microcomputer to send the following

21   tax information to the bank of the merchant: (1) date and tax ID; (2) sum

22   of taxes collected; (3) allocation of sum of taxes collected to individual

23   tax authorities; (4) date of deposit; and (5) authorization code (Cretzler

24   4:53-67).

10[2] A one page overview of the payment process can be found at
11http://corporate.visa.com/md/fs/corporate/transactions.jsp

10. Upon receipt of the transaction data, the corresponding merchant bank waits a predetermined period of time to allow the merchant to deposit the collected funds into the account of the merchant before wire transferring the sums to the taxing authority banks. Alternately, if the merchant has provided the bank with an authorization code and funds are already on deposit, the merchant bank will wire transfer the funds indicated the next business day. In this manner, the taxing authority will have the funds on deposit for use within one to three business days after they are collected at the point-of-sale location (Cretzler 5:1-11).

11. The tax information stored at a given point-of-sale terminal may also be accessed by the bank of the merchant on a periodic basis. Thus, Cretzler describes that within the scope of its disclosure, "transfer of tax information from the point-of-sale terminal can be initiated by either the bank of (sic, or) the merchant at the convenience of the bank or the merchant." (Cretzler 5:12-18.)

12. Although in one embodiment, Cretzler's transfer of tax information to the service bank is initiated by the merchant, it is contemplated within the scope of Cretzler's disclosure that transfers can be initiated by the service bank accessing the tax information stored at a point-of-sale terminal (Cretzler 5:43-47).

Hanna

13. Hanna is directed toward an automated banking machine for carrying out banking transactions of the types commonly carried out by merchants (Hanna 1:9-12).

14. The exemplary form of Hanna's automated merchant banking apparatus enables merchants to carry out transactions on an automated basis that are necessary to support their business activities. Transactions can be carried out at the convenience of the merchant to conform to their hours of operation. Further, the automated merchant banking apparatus is secure yet relatively economical to produce and operate. The apparatus can be deployed in locations convenient to many merchants (Hanna 4:26-34).

15. An example of a particular merchant user application in Hanna may be one where the user has certain types of receipts which are subject to tax, duty or tariff, such as a sales tax, and other types of receipts that are not. Alternatively, the merchant may provide different items that may be subject to taxes, duties or tariffs at different rates. The merchant may segregate receipts on this basis or otherwise categorize the amount of such receipts. The merchant's customized application may be prepared to accept the input of amounts in such multiple categories. The application may also operate to calculate and escrow the amounts of the taxes, duties or tariffs, and/or may coordinate with other systems to electronically transfer the correct portions of the deposited funds to the appropriate collection authorities (Hanna 11:46-59).

16. Other Hanna examples of customized applications and interfaces may account for the escrowing of amounts paid but not yet earned, as well as for later transfers from escrow accounts to other accounts. Other customized merchant applications may account for the payment of royalties on certain types of receipts, for example a franchisee who pays royalties in calculated amounts to a third party on at least some types of

1 receipts. Other merchants may be entitled to rebates or incentives from

2 third parties on certain types of receipts or for compensation due to

3 acceptance of coupons. Applications for such merchants may include the

4 input of pertinent amounts or other data related to such items and the

5 calculation of the amount of credits or rebates. The application may also

6 operate to coordinate with other systems to receive and transfer the

7 amounts due to the merchant (Hanna 11:60-12:7).

8 17. Customized merchant applications of Hanna may also be integrated with

9 computer programs and systems run by the merchant or with third

10 parties to facilitate other activities. Such activities may involve tax

11 calculation and payment on behalf of the merchant, inventory tracking

12 and/or theft or fraud detection (Hanna 12:8-12).

13 *Knowledge of One of Ordinary Skill*

14 18. One of ordinary skill in the financial transaction processing arts would

15 have knowledge of systems design and operational protocols for

16 financial services transactions and would be aware of sales and use tax

17 payment protocols and the use of escrow accounts for collecting tax

18 payments. Such a person would in particular be aware of the

19 transactions that occur in processing a credit or debit card, which

20 frequently require an authorization transaction in advance of the

21 payment clearing transaction, and that the payment clearing transaction

22 may occur either at the time of a transmission of the completed

23 transaction shortly after the authorization transaction, or at the end of the

24 day.[Footnote 2, supra]

1 PRINCIPLES OF LAW

2*Claim Construction*

3   During examination of a patent application, pending claims are given

4their broadest reasonable construction consistent with the specification. *In*

5*re Prater*, 415 F.2d 1393, 1404-05 (CCPA 1969); *In re Am. Acad. of Sci.*

6*Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

7   Limitations appearing in the specification but not recited in the claim are not

8read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1369 (Fed.

9Cir. 2003) (claims must be interpreted "in view of the specification" without

10importing limitations from the specification into the claims unnecessarily)

11   Although a patent applicant is entitled to be his or her own lexicographer of

12patent claim terms, in *ex parte* prosecution it must be within limits. *In re Corr*,

13347 F.2d 578, 580 (CCPA 1965). The applicant must do so by placing such

14definitions in the Specification with sufficient clarity to provide a person of

15ordinary skill in the art with clear and precise notice of the meaning that is to be

16construed. *See also In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994) (although

17an inventor is free to define the specific terms used to describe the invention, this

18must be done with reasonable clarity, deliberateness, and precision; where an

19inventor chooses to give terms uncommon meanings, the inventor must set out any

20uncommon definition in some manner within the patent disclosure so as to give

21one of ordinary skill in the art notice of the change).

22*Obviousness*

23   A claimed invention is unpatentable if the differences between it and the

24prior art are "such that the subject matter as a whole would have been obvious at

25the time the invention was made to a person having ordinary skill in the art." 35

1U.S.C. § 103(a) (2000); *KSR Int'l v. Teleflex Inc.*, 127 S.Ct. 1727 (2007); *Graham*

2*v. John Deere Co.*, 383 U.S. 1, 13-14 (1966).

3 In *Graham*, the Court held that that the obviousness analysis is bottomed on

4several basic factual inquiries: "[(1)] the scope and content of the prior art are to be

5determined; [(2)] differences between the prior art and the claims at issue are to be

6ascertained; and [(3)] the level of ordinary skill in the pertinent art resolved." 383

7U.S. at 17. *See also KSR Int'l v. Teleflex Inc.*, 127 S.Ct. at 1734. "The

8combination of familiar elements according to known methods is likely to be

9obvious when it does no more than yield predictable results." *KSR*, at 1739.

10 "When a work is available in one field of endeavor, design incentives and

11other market forces can prompt variations of it, either in the same field or in a

12different one. If a person of ordinary skill in the art can implement a predictable

13variation, § 103 likely bars its patentability." *Id*. at 1740.

14 "For the same reason, if a technique has been used to improve one device,

15and a person of ordinary skill in the art would recognize that it would improve

16similar devices in the same way, using the technique is obvious unless its actual

17application is beyond his or her skill." *Id*.

18 "Under the correct analysis, any need or problem known in the field of

19endeavor at the time of invention and addressed by the patent can provide a reason

20for combining the elements in the manner claimed." *Id*. at 1742.

21 *Automation of a Known Process*

22 It is generally obvious to automate a known manual procedure or mechanical

23device. Our reviewing court stated in *Leapfrog Enterprises Inc. v. Fisher-Price*

24*Inc.*, 485 F.3d 1157 (Fed. Cir. 2007), that one of ordinary skill in the art would

25have found it obvious to combine an old electromechanical device with electronic

circuitry "to update it using modern electronic components in order to gain the commonly understood benefits of such adaptation, such as decreased size, increased reliability, simplified operation, and reduced cost. . . . The combination is thus the adaptation of an old idea or invention . . . using newer technology that is commonly available and understood in the art." *Id.* at 1163.

ANALYSIS

Claims 9, 11-23, 39, and 42 rejected under 35 U.S.C. § 103(a) as unpatentable over Cretzler and Hanna.

The Appellants argue claims 9, 11-17, 20-23, and 39 as a group.

Accordingly, we select claim 9 as representative of the group. 37 C.F.R. § 41.37(c)(1)(vii) (2007).

Examiner's Findings

The Examiner found that Cretzler disclosed a method for calculating and debiting sales tax amounts of credit/debit card transactions of a merchant comprising the steps of: receiving an authorization for payment from one of a plurality of credit card issuers for each of one or more credit/debit card transaction authorization requests submitted by the merchant; determining a sales tax amount for each authorized transaction of the merchant; storing information about the tax portion for each authorized transaction of the merchant; receiving a request from the merchant for payment for the authorized transaction(s); determining a tax amount from the stored information; and crediting a tax account of the merchant with payment of the tax amount. The Examiner found that it was inherent to the method of Cretzler that the credit to the merchant (at the end of a taxing period) is a net credit representing a sum of the payments made during the taxing period. The Examiner found that the method of Cretzler, though, involves the merchant paying

1the tax amount(s) directly to the taxing authorities, rather than depositing the funds
2into an EFP escrow account for later payment to the taxing authorities on behalf of
3the merchant (Answer 3:Bottom ¶ - 4:Top ¶).

4   To overcome this deficiency, the Examiner found that Hanna disclosed a
5similar method, including an EFP escrow account into which sales tax amounts of
6a merchant were directly deposited for later payment to the taxing authorities on
7behalf of the merchant. The Examiner implicitly found that merchants of ordinary
8skill knew that it would have been advantageous to earn interest on deposited
9funds. The Examiner concluded that it would have been obvious to one of
10ordinary skill in the art, at the time of the invention, to have modified the invention
11of Cretzler so as to send the calculated sales tax amounts to an EFP escrow account
12for later payment to the taxing authorities on behalf of the merchant, in accordance
13with the teachings of Hanna, rather than sending the calculated sales tax amounts
14directly to the taxing authorities, in order for the merchant to collect interest on the
15deposited funds prior to the deadline for transferring the sales tax funds to the
16taxing authorities (Answer 4:Bottom ¶).

17*Analysis of How Cretzler and Hanna Describe Claim 9*

18   The Appellants present their arguments in a variety of directions, so it may
19make the analysis more understandable to first lay out how each of the Cretzler and
20Hanna references disclose the subject matter of claim 9 [bracketed matter and
21some paragraphing added].

22   9. A method for impounding escrow funds [Hanna, FF] by an
23   electronic funds processor (EFP) from payments made via electronic
24   funds transfer (EFP) (sic, (EFT)) from credit/debit card transactions
25   transacted [Cretzler, FF] between

26   a merchant, [Cretzler, FF - merchant]

27   the EFP [Cretzler, FF – merchant's bank] and

| 1 | one or more credit/debit card issuers [Cretzler, FF – service |
| 2 | bank], |

the EFP and one or more credit/debit card issuers being
interconnected by means of at least one computer network [Cretzler,
FF],

wherein the credit/debit card transactions are electronically
initiated by the merchant via a merchant point of sale (POS)
terminal that communicates with the EFP, and are electronically
processed by the EFP and the one or more credit/debit card
issuers [Cretzler, FF],

wherein the credit/debit card transactions include

authorization requests made by the merchant [Cretzler,
FF],

authorized transactions granted by the one or more
credit/debit card issuers [Cretzler, FF],

payment requests made by the merchant concerning one
or more authorized transactions [Cretzler, FF], and

payments made by the one or more credit/debit card
issuers [Cretzler, FF],

the method comprising the steps of:

[1] receiving a payment request electronically transmitted by the
merchant via the merchant POS terminal [Cretzler, FF],

said payment request concerning one or more authorized
transactions [Cretzler, FF];

[2] determining an escrow amount based on the one or more
authorized transactions;

[3] forwarding the payment request to at least one of the one or more
credit/debit card issuers electronically via the at least one computer
network [Cretzler, FF];

[4] receiving an EFP payment made by the at least one credit/debit
card issuer via the at least one computer network for the one or more
authorized transactions [Cretzler, FF];

[5] crediting a merchant escrow account by EFP with the escrow
amount [Cretzler, FF & ; Hanna, FF],

1   said escrow amount being debited from the received EFP

2   payment [Hanna, FF]; and

3   [6] crediting a merchant account by EFP [Cretzler, FF]

4   with only a net payment for the one or more authorized

5   transactions [Cretzler, FF & ; Hanna, FF],

6   said net payment being credited by an amount equaling

7   the received EFP payment

8   reduced by the escrow amount [Cretzler, FF & ; Hanna,

9   FF];

10   [7] wherein the determining, forwarding and crediting steps are

11   executed by the EFP [Cretzler, FF]

12   upon receipt of the payment request for the transaction via the

13   merchant POS terminal [Cretzler, FF],

14   without depending on subsequent action by the merchant

15   [Cretzler, FF -] relating to the merchant escrow account

16   [Hanna, FF].

17   So, claim 9 describes a set of financial transactions performed by an EFP while

18 collecting funds from a customer using a credit or debit card, which is generally

19 described by Cretzler. The added parts of the transactions in claim 9 are

20 determining how much to escrow and putting the escrow amount in an escrow

21 account and the remainder in the merchant's account without first putting the gross

22 amount in the merchant's account. Cretzler does not use an escrow account, but

23 transfers the amounts directly to tax authorities instead (FF & -). When funds are

24 collected by credit card, the amounts sent to the tax authorities are not mingled

25 with the gross receipts, but are sent directly to the tax authorities (FF). Therefore,

26 Cretzler describes steps [1], [3], [4], [6], and [7], except for the use of an escrow

27 account. In particular, Cretzler describes the EFP performing step [7], again

28 except for the escrow account.

29   Hanna describes steps [2] and [5] (FF), except that the steps are performed by

30 Hanna's machine rather than an EFP. However, Hanna's machine acts as the agent

1for the financial transactions described in Hanna, including deposit of escrow
2funds. Also, Cretzler's service bank credits the taxing authority, which is
3Cretzler's analog to Hanna's escrow account, for step [5] (FF). Hanna, which has
4no facility for having a service bank make a direct payment to taxing authorities,
5uses an escrow account as an intermediate holding account so as to hold the
6money, implicitly to preserve transparency for the taxing authorities. Since
7Cretzler's immediate credit to the taxing authorities requires that the service bank
8provide this service, the absence of such a service by any one of Cretzler's service
9banks would provide the motivation for combining Hanna's escrow account with
10Cretzler to support a conclusion of obviousness of the combination.

11*Appellants' Arguments*

12   The Appellants present two sets of contentions: (1) Cretzler's merchant has to
13intervene to accomplish the escrow and payment arrangements; and (2) Cretzler
14does not credit net amounts to the merchant.

15*Argument (1) – Merchant Intervention*

16   The Appellants contend that a key element that is not found by this
17combination is that in applicant's claimed invention, the deposit into the escrow
18account is done without the participation of the merchant and specifically that the
19merchant has no control or involvement over this deposit. The Appellants contend
20that the claims specifically point this out (Appeal Br. 6:First full ¶).

21   We find that claim 9 requires that the steps of determining an escrow amount,
22forwarding request a payment request to a credit or debit card issuer, and crediting
23merchant escrow and other accounts be executed by the EFP without depending on
24subsequent action by the merchant relating to the escrow account.

1   We find that the receiving steps, elements [1] and [4] *supra*, are not within the
2scope of claim 9's limitation [7]. We further find that the limitation requires only
3that the determining, forwarding and crediting steps [2], [3], [5], and [6] are not
4dependent on a merchant action relating to the escrow account. Far from requiring
5that the merchant have no control or involvement, the actual claim 9 step [7]
6requirement uses neither of these terms and is far narrower in scope.

7   We further find that the Appellants have overlooked Cretzler's description of
8an alternative, in which the merchant does not make the deposit subsequent to the
9receipt of the payment request by the merchant's bank so argued by the Appellants.
10Rather, Cretzler describes that the merchant may make a deposit, in advance of the
11merchant receiving that day's money, when the merchant has entered an
12authorization code in advance and there are sufficient funds already on deposit in
13the merchant's account (FF).

14   The Appellants next cite Cretzler, column 4, lines 45-50, where the Appellants
15paraphrase Cretzler to contend that the merchant accesses a terminal for transaction
16approval which also calculates the amount of the tax. At the end of the business
17day, the merchant enters a transmit code into the computer that initiates the tax
18paying sequence. The Appellants conclude that the merchant must deposit the
19collected tax funds, that the tax funds are not automatically removed before the
20merchant gets his money, and are not automatically deposited by the EFP without
21the merchant's intervention (Appeal Br. 6:Second full ¶ - 7: Second full ¶ following
22top 2 lines).

23   Again, the Appellants overlook Cretzler's description of an embodiment in
24which the merchant makes a deposit in advance of the merchant receiving one
25day's money (FF). As to the claim limitations of posting net amounts and
26automatic deposits into escrow, these limitations are met by Hanna (FF -).

1Although Hanna uses a machine rather than an EFP, Cretzler uses an EFP, which is

2merely a party that performs the banking transaction functions performed by

3Hanna's machine.

4   Next the Appellants appear to recognize Cretzler's alternative (Appeal Br. 7:

5Third full ¶ following top 2 lines), but then argue that with respect to service

6banks, Cretzler describes that at the end of the day the merchant enters the transmit

7code. The Appellants contend that it is evident from Cretzler that it is the merchant

8who must instigate the payment, arguing that without the merchant giving an

9authorization to pay, an authorization code, instructions to wire transfer, an

10indication of where to take the sums from, etc., no taxes will be paid (Appeal Br.

117:Last full ¶ - 8:Second full ¶).

12   Once again the Appellants overlook an alternative described in Cretzler to

13automate those otherwise merchant performed activities (FF &).

14   The Appellants next contend that Cretzler does not indicate that the EFP sets

15aside the money in a separate account and controls the deposit of the tax money in

16the escrow account so that the merchant never even gets the tax money into his

17own accounts. The Appellants further argue that nothing in Cretzler teaches that

18the EFP subtracts the tax money before paying the merchant and sends the

19merchant only the transaction money and not the tax money (Appeal Br. 8:Third

20Full ¶ - 9:First full ¶) .

21   This is hardly surprising since it is Hanna that is relied upon to show separating

22funds into escrow and non-escrow accounts (FF -). One cannot show

23nonobviousness by attacking references individually where the rejections are based

24on combinations of references. *In re Keller*, 642 F.2d 413, 426 (CCPA 1981).

25Hanna separates these amounts at the time of receipt (FF). While Hanna's receipt

26is into a machine, the analogous time for separation in Cretzler would be the time

that funds are collected by the merchant's bank, which is analogous to Hanna's
device.

The Appellants next argue that Hanna teaches a merchant ATM machine that
the merchant himself utilizes and controls, and that Hanna does not even mention
an EFP of the type in Cretzler (Appeal Br. 9:Second full ¶ - 12:Third ¶; also
Appeal Br. 14:Bottom ¶ - 15: First full ¶).

This is hardly surprising since it is Cretzler that is relied upon to show an EFP
performing automated financial transactions (FF -). One cannot show
nonobviousness by attacking references individually where the rejections are based
on combinations of references. *In re Keller, id.* Hanna separates the amounts into
escrow and merchant accounts at the time of receipt (FF). While Hanna's receipt
is into a machine, the analogous agent for the financial transactions in Cretzler
would be the EFP, *viz.* the merchant's bank, which is analogous to Hanna's device
in performing financial transactions.

Argument (2) – Net Deposits

The Appellants next argue that Cretzler teaches that the total amount is
deposited, and only when the merchant desires to pay does he authorize the money
to be taken out of his account (Appeal Br. 12:Fourth ¶ - 14:Last full ¶).

Cretzler actually discusses two methods of computing how much is deposited.
The Appellants focus on the method described in FF 10. We find that the
Appellants have failed to consider the implication of the adjective "collected" in
the phrase "to allow the merchant to deposit the collected funds into the account of
the merchant" in that portion of Cretzler. The second method described by
Cretzler, in FF , implies that for credit or debit card transactions, the amounts due
the taxing authorities are never collected by the merchant, but sent directly to the

taxing authorities. Cretzler also clarifies that "collected" funds refer to cash rather than credit or debit card transactions (FF 10). The scope of claim 9 is, by its terms, limited to those processed by an EFP in collecting funds from a customer, which excludes cash transactions.

Affidavit Evidence

The Appellants finally offer two affidavits as evidence of long felt need (Appeal Br. 15:Last full ¶ - 18:First full ¶; Evidence Appendix).

We have considered these affidavits and in particular, the relationship of the affiants to the claimed subject matter and the rationale the affiants offer. Both affiants state that their experience is in payroll systems, and acknowledge that automated escrow of payroll is not new.[3] The claimed subject matter is directed to escrow that would be used by EFP's rather than payroll services, and thus to sales and use taxes rather than payroll taxes. We can find no basis for giving significant weight to the opinions of these affiants since their experiences do not relate to the claimed subject matter. To be given substantial weight in the determination of obviousness or nonobviousness, evidence of secondary considerations must be relevant to the subject matter as claimed, and therefore the examiner must determine whether there is a nexus between the merits of the claimed invention and

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[3] We note that Affiant Robertson states that he is aware of no method currently used in the financial services industry to try and provide an automated sales tax processing solution that would replicate the collection and distribution of the sales tax revenue that is now done in the payroll/employer services industry (Robertson Affidavit 2:Bottom ¶). This reference to sales tax revenue in the payroll services industry is inconsistent with the prior ¶ reference to payroll taxes, and is unsupported by the remainder of the affidavit. It is also logically inconsistent and a breakdown in internal financial control to have payroll services collect sales and use tax. We thus take this to be a typographical error in that Affiant Robertson meant replicating the collection and distribution of payroll tax revenue now done in the payroll/employer services industry.

1the evidence of secondary considerations. *Ashland Oil, Inc. v. Delta Resins &*
2*Refractories, Inc.*, 776 F.2d 281, 305 n.42 (Fed. Cir. 1985).

3   Also, the evidence is in the form of conjectured conclusory opinion rather than
4based on observed evidence related to sales and use tax payment transactions, and
5again gives us little reason to afford it significant weight. Establishing long-felt
6need requires objective evidence that an art recognized problem existed in the art
7for a long period of time without solution. In particular, the evidence must show
8that the need was a persistent one that was recognized by those of ordinary skill in
9the art. *In re Gershon*, 372 F.2d 535, 539 (CCPA 1967). After considering the
10affidavits and the weight of their evidentiary value, we conclude that their
11evidentiary value is insufficient to tip away from the conclusion of obviousness.

12

13*Claims 18, 19, and 42*

14   The Appellants separately contest the rejection of claims 18, 19 and 42. Claim
1518 adds the limitation that a tax is escrowed and the tax rate is increased by a
16predetermined amount over the tax rate of the jurisdiction to facilitate payment of
17back taxes.

18   The Examiner found that this method is directly analogous to the practice of
19paying payroll back taxes by increasing the amount withheld by garnishment and
20one of ordinary skill, knowledgeable in the escrow of taxes, would have simply
21applied the analog for sales and use back taxes (Answer 5-6). The Appellants
22argue the Examiner has provided no evidence and that Cretzler does not describe
23modifying tax amounts for individual users (Appeal Br. 19:Bottom ¶ - 20:Top ¶).

24   We find, as did the Examiner, that withholding added amounts for back taxes is
25notoriously well known. "In many fields it may be that there is little discussion of

obvious techniques or combinations, and it often may be the case that market demand, rather than scientific literature, will drive design trends." *KSR,* 127 S.Ct. at 1741. The Appellants have not contended that garnishment was not notoriously well known or that one of ordinary skill in tax payment systems would not have seen the analogy between paying payroll and sales back taxes.

As to Cretzler being able to modify tax amounts for individual users, Cretzler states that the merchant enters the appropriate sales or use taxes on the customer's invoice as the vehicle for informing the merchant's bank of the amount of tax (FF 9). Thus, Cretzler clearly describes the capacity for increasing the tax rate to meet the motivation of using an analog to payroll back tax payment for paying sales and use back taxes.

Claim 19 requires that the escrow account is a merchant savings account. The Examiner found that Hanna describes depositing some of its funds into a savings account and that similarly providing savings characteristics, presumably interest bearing capacity, to Hanna's escrow account would have been obvious (Answer 6). The Appellants argue that such an escrow account would be under the control of the merchant (Appeal Br. 20:First and second full ¶'s).

As we found, *supra,* claim 9 from which claim 19 depends does not require complete absence of merchant control, only the absence of dependence on the merchant for the determining, forwarding, and crediting steps recited in step [7]. As we found, *supra,* the combination of Cretzler and Hanna describes the absence of such dependence on merchant action in step [7] of claim 9, and therefore of its dependent claim 19 as well.

Claim 42 requires receiving a cash transaction report reported by the merchant; determining a second escrow amount based on the cash transaction report; debiting the second escrow amount from a source of merchant funds; and crediting the

1merchant escrow account with the second escrow amount. The Examiner found
2that Cretzler's processing of cash transactions would cause tax transactions to be
3made, which, as modified by Hanna, would result in the second escrow transfer as
4claimed (Answer 7). The Appellants argue that Cretzler's cash transactions are
5under the control of the merchant (Appeal Br. 21:First and second ¶'s).

6   Contrary to the Appellants' arguments, we find that claim 9 requires only that
7the determining, forwarding, and crediting steps are independent from merchant
8action relating to the escrow account, and this is met by Cretzler's alternative
9embodiments of automated transactions by the merchant bank (FF -), which are
10inherently independent of the merchant.

11   The Appellants have not sustained their burden of showing that the Examiner
12erred in rejecting claims 9, 11-23, 39, and 42 under 35 U.S.C. § 103(a) as
13unpatentable over Cretzler and Hanna.

14   REMARKS

15   If prosecution on the merits continues, the Examiner should consider the
16description of an automated system using an EFP to deposit funds in an escrow
17account in Schkedy (US Pat. No. 6,260,024 B1, Jul. 10, 2001) at 6:53-61; 11:18-
1820; 19:16-64; and 20:10-20.

19   CONCLUSIONS OF LAW

20   The Appellants have not sustained their burden of showing that the Examiner
21erred in rejecting claims 9, 11-23, 39, and 42 under 35 U.S.C. § 103(a) as
22unpatentable over the prior art.

23   On this record, the Appellants are not entitled to a patent containing claims 9,
2411-23, 39, and 42.

1   DECISION

2   To summarize, our decision is as follows:

3   •   The rejection of claims 9, 11-23, 39, and 42 under 35 U.S.C. § 103(a) as

4   unpatentable over Cretzler and Hanna is sustained.

5   No time period for taking any subsequent action in connection with this appeal

6may be extended under 37 C.F.R. § 1.136(a)(1)(iv).

7

8   <u>AFFIRMED</u>

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13KATTEN MUCHIN ROSENMAN LLP
14575 MADISON AVENUE
15NEW YORK NY 10022-2585